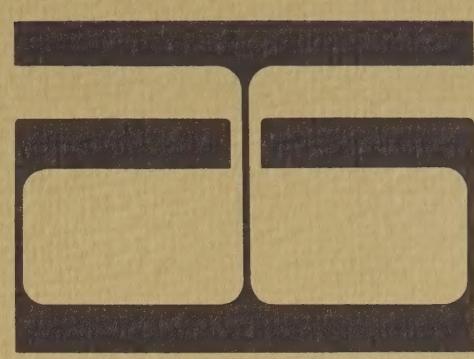


AGT DATA SYSTEMS LIMITED  
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1972 ANNUAL REPORT  
1972 ANNUAL REPORT



ACQUIRED, 1979, BY  
CANADA SYSTEMS GROUP LTD

Corp report





## **AGT DATA SYSTEMS LIMITED**

### **OFFICERS**

Gerald A. Wanless  
President  
  
Fredrick T. White  
Executive Vice-President  
  
Harvey S. Gellman  
Vice-President  
  
Harry G. Porteous  
Vice-President  
  
H. Roger Garland  
Secretary-Treasurer

### **DIRECTORS**

Ronald C. Carroll  
H. Roger Garland  
Harvey S. Gellman  
Robert A. McDougall  
George H. Montague  
Harry G. Porteous  
Gerald A. Wanless  
Fredrick T. White

### **HEAD OFFICE**

74 Victoria Street,  
Toronto 210



## A REPORT FROM THE PRESIDENT

We have achieved considerable success during the past year in our efforts to consolidate the business base of our operating divisions and improve profitability. This is evidenced by the improved operating performance throughout the period, particularly in the second six months, and the strong liquidity position with which we closed the year. Our operating loss in the last half was \$160,000 compared to \$362,000 in the first half. An extraordinary gain of \$132,000 was recorded on the sale of our U.S. subsidiary, producing a net loss for the year of \$381,000. The working capital position at June 30 was in excess of \$1 million including cash reserves of \$580,000.

Many of the organizational changes which contributed to these improvements were outlined in my letter of May 2, 1972 to our shareholders. You will recall that in March of this year we sold our U.S. subsidiary, AGT Management Systems Inc., to the McDonnell Douglas Aircraft Company for a cash consideration of \$259,000. Terms of the sale provided us with Canadian rights to our U.S.-developed products and removed what was continuing to be a serious cash and management commitment. Also during the second half of the year we entered into an agreement for the supply of our computer requirements which will reduce expenditures in this area during the next three years.

Another significant development was the renegotiation of our agreement with Keydata Corporation in Boston which provided an improved cost structure for our Keydata Canada division. We subsequently completed a \$500,000 debenture issue which has provided the financial resources to adequately exploit Keydata Canada's position as the leading business time-sharing company in Canada. Revenues from Keydata increased by over 70 percent during the year and we expect business to continue to expand rapidly. Under the terms of our agreement with the debenture-holders, the proceeds of the financing are to be used exclusively for the development of business activities associated with Keydata Canada. In this respect, we intend to step up our expansion program including the development of a vigorous advertising and pro-

motion program to support our direct marketing activities.

All of the other divisions are firmly established at profitable operating levels. Ruscom Logics Limited, our manufacturing subsidiary, recorded another year of revenue growth and increased profits. An active research and development program has yielded several new products and the positive market reaction has resulted in a good order backlog at year-end.

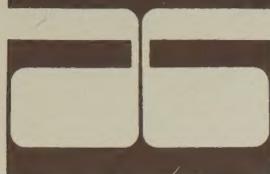
As we discussed in previous reports, DCF Systems, our management consulting division, has experienced a substantial decline in revenues during the past eighteen months. This was a result of the completion of major consulting assignments and the general slowdown in the economy. This trend has now been reversed and activity in the consulting group has greatly improved. We expect a steady growth in this area during the next year.

Our two computer service divisions, ProConsul and Data Services, have increased revenues and profitability during the last year. The Data Services division has been particularly successful, achieving a 75 percent increase in revenues and operating on a profitable level during the second half of the fiscal year. This growth will continue during the coming year and at this time a good backlog of new business has already been established.

After three difficult years, we believe we have now achieved financial stability. The only significant cash loss to be absorbed over the coming year will be generated by the Keydata Canada division. As mentioned above, the recently completed financing will provide sufficient funds to cover these losses and will enable us to continue the expansion of this division.

The economic conditions underlying the computer services industry appear to have stabilized and we anticipate that the demand for our products and services will continue to improve during the balance of this fiscal year. With our existing business base and financial resources, we are looking forward to the coming year with enthusiasm.

G. A. Wanless  
President



## AGT DATA SYSTEMS LIMITED AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 1972

(with 1971 figures for comparison)

	1972	1971
<b>REVENUE:</b>		
Consulting fees.....	\$ 730,682	\$1,858,131
Data processing revenues—active divisions.....	2,086,096	1,315,889
Manufacturing sales.....	349,547	263,361
	<u>3,166,325</u>	<u>3,437,381</u>
Data processing revenues— discontinued divisions ( <u>Note 11</u> ).....	174,129	1,570,513
Total revenue.....	<u>3,340,454</u>	<u>5,007,894</u>
<b>EXPENSES:</b>		
Salaries and employee benefits.....	1,954,279	3,178,762
General and administrative expenses.....	1,910,700	2,731,769
Total expenses.....	<u>3,864,979</u>	<u>5,910,531</u>
<b>LOSS BEFORE OTHER INCOME (CHARGES)</b> .....	<u>524,525</u>	<u>902,637</u>
<b>OTHER INCOME (CHARGES):</b>		
Interest income.....	9,400	13,403
Interest on 8% debentures.....	(6,904)	—
	<u>2,496</u>	<u>13,403</u>
<b>LOSS BEFORE INCOME TAXES</b> .....	<u>522,029</u>	<u>889,234</u>
<b>PROVISION FOR INCOME TAXES (Note 4)</b> .....	<u>8,700</u>	<u>12,885</u>
<b>LOSS BEFORE EXTRAORDINARY ITEMS</b> .....	<u><u>530,729</u></u>	<u><u>902,119</u></u>
<b>EXTRAORDINARY ITEMS:</b>		
Gain on sale of subsidiary ( <u>Note 11</u> ).....	131,531	—
Adjustment of deferred income taxes (Note 4).....	8,700	12,885
	<u>140,231</u>	<u>12,885</u>
<b>LOSS BEFORE MINORITY INTEREST</b> .....	<u>390,498</u>	<u>889,234</u>
<b>MINORITY INTEREST IN INCOME (LOSS)</b> .....	<u>(9,160)</u>	<u>263</u>
<b>LOSS FOR THE YEAR</b> .....	<u><u>\$ 381,338</u></u>	<u><u>\$ 889,497</u></u>
<b>LOSS PER SHARE BEFORE EXTRAORDINARY ITEMS</b> .....	<u>\$ .37</u>	<u>\$ .67</u>
<b>LOSS PER SHARE</b> .....	<u>\$ .27</u>	<u>\$ .66</u>

The accompanying notes on pages 7 and 8 are an integral part of the financial statements.



## AGT DATA SYSTEMS LIMITED

(Under the Canada Corporations Act)

AND ITS SUBSIDIARIES

### CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1972

(with 1971 figures for comparison)

#### ASSETS

	1972	1971
<b>CURRENT ASSETS:</b>		
Cash and deposit receipts.....	\$ 580,148	159,248
Accounts receivable :		
Trade.....	529,826	764,471
Other.....	45,194	59,811
Inventories—at the lower of cost or net realizable value.....	233,713	102,101
Prepaid expenses.....	17,924	12,434
Total current assets.....	<u>1,406,805</u>	<u>1,098,065</u>
LONG-TERM RECEIVABLE.....	6,146	16,682
FIXED ASSETS—at cost (Note 2).....	496,701	518,020
Less accumulated depreciation and amortization.....	220,283	164,706
Net fixed assets.....	<u>276,418</u>	<u>353,314</u>
<b>OTHER ASSETS (Note 3):</b>		
Franchise fees.....	218,000	249,000
Deferred development costs.....	72,596	122,212
Deferred financing costs.....	13,003	—
Total other assets.....	<u>303,599</u>	<u>371,212</u>
<b>TOTAL.....</b>	<b>\$1,992,968</b>	<b>\$1,839,273</b>

Approved by the Board:

Gerald A. Wanless, Director

Fredrick T. White, Director

The accompanying notes on pages 7 and 8 are an integral part of the financial statements.

## LIABILITIES AND SHAREHOLDERS' EQUITY

	1972	1971
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued charges.....	\$ 345,101	\$ 299,425
Employee deductions.....	29,697	67,022
Total current liabilities.....	<u>374,798</u>	<u>366,447</u>
<b>MINORITY INTEREST IN FOREIGN SUBSIDIARY.....</b>	<u>—</u>	<u>9,160</u>
<b>8% DEBENTURES (Note 5).....</b>	<u>500,000</u>	<u>—</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock (Notes 1, 5, 6, 7 and 8):		
Authorized:		
2,000,000 shares without nominal or par value		
Issued and fully paid:		
1,430,336 shares.....	6,360,024	6,324,182
Contributed surplus of subsidiary (no transactions during the year) .....	300,000	300,000
Deficit.....	<u>(5,541,854)</u>	<u>(5,160,516)</u>
Net shareholders' equity.....	<u>1,118,170</u>	<u>1,463,666</u>
<b>TOTAL.....</b>	<b><u>\$1,992,968</u></b>	<b><u>\$1,839,273</u></b>

## AUDITORS' REPORT

To the Shareholders of AGT Data Systems Limited:

We have examined the consolidated balance sheet of AGT Data Systems Limited and its subsidiaries as at June 30, 1972 and the consolidated statements of operations, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
August 18, 1972.

DELOITTE, HASKINS & SELLS  
Chartered Accountants.



**AGT DATA SYSTEMS LIMITED**  
AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

**FOR THE YEAR ENDED JUNE 30, 1972**

(with 1971 figures for comparison)

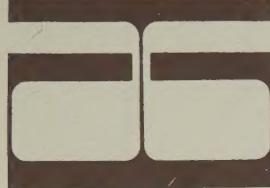
	<u>1972</u>	<u>1971</u>
<b>SOURCE OF FUNDS:</b>		
Issue of 8% debentures (Note 5).....	\$ 500,000	\$ —
Issue of shares.....	35,842	286,884
Disposal of subsidiary (Note 11).....	234,536	—
Proceeds on disposal of fixed assets.....	5,887	86,702
Reduction in long-term receivable.....	10,536	10,536
Total funds provided.....	786,801	384,122
<b>APPLICATION OF FUNDS:</b>		
Funds applied to operations.....	352,710	665,731
Purchase of minority interest in subsidiary (Note 11).....	24,750	—
Additions to fixed assets.....	16,944	19,728
Deferred development costs.....	78,077	97,199
Deferred financing costs.....	13,931	—
Total funds applied.....	486,412	782,658
INCREASE (DECREASE) IN WORKING CAPITAL FOR THE YEAR.....	300,389	(398,536)
WORKING CAPITAL AT BEGINNING OF THE YEAR.....	731,618	1,130,154
WORKING CAPITAL AT END OF THE YEAR.....	\$1,032,007	\$ 731,618

**CONSOLIDATED STATEMENT OF DEFICIT FOR THE YEAR ENDED JUNE 30, 1972**

(with 1971 figures for comparison)

	<u>1972</u>	<u>1971</u>
DEFICIT AT BEGINNING OF THE YEAR.....	\$5,160,516	\$4,271,019
ADD :		
Loss for the year.....	381,338	889,497
DEFICIT AT END OF THE YEAR.....	\$5,541,854	\$5,160,516

The accompanying notes on pages 7 and 8 are an integral part of the financial statements.



## AGT DATA SYSTEMS LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1972

#### 1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of AGT Data Systems Limited and all of its subsidiary companies.

The acquisitions of certain of the subsidiaries have been accounted for on the pooling-of-interests basis and, accordingly, the value attributed to issued capital stock, in the amount of \$6,360,024, is net of a pooling adjustment of \$5,521,796 which reflects the stated value of the issued capital stock of such subsidiaries at date of acquisition.

The accounts of the remainder of the subsidiaries have been accounted for on the purchase-acquisition basis.

For the purposes of consolidation, the accounts of the foreign subsidiaries have been translated into Canadian dollars at historical rates.

#### 2. FIXED ASSETS

The major categories of fixed assets and accumulated depreciation and amortization at June 30, 1972 are as follows:

	Amount	Rates
Furniture, fixtures and equipment.....	\$304,249	10% straight-line
Leasehold improvements....	<u>192,452</u>	Term of lease—straight-line
Less accumulated depreciation and amortization.....	<u>496,701</u>	
	<u>220,283</u>	
	<u>\$276,418</u>	

Expenses for the current year include depreciation and amortization in the amount of \$70,384 (1971—\$80,248).

#### 3. DEFERRED COSTS AND FRANCHISE FEES

It is the policy of the companies to defer costs related to new product development where such projects have provided substantial assurance of future revenue generation. These deferred costs are amortized over the estimated useful life of the project, or two years, whichever is less, commencing in the first month of production. Research and development costs of a general nature are expensed in the period incurred. Expenses for the current year include amortization in the amount of \$63,741 (1971—\$90,071).

The companies hold franchise rights to certain processes and software packages at a total cost of \$292,000. These costs are amortized over the estimated useful life in each case. Expenses

for the current year include amortization in the amount of \$31,000 (1971—\$31,000).

During the year, a subsidiary company incurred financing costs of \$13,931, which are being amortized over five years. Expenses for the current year include amortization in the amount of \$928.

#### 4. DEFERRED INCOME TAXES

The company and its subsidiaries have adopted the practice of recording deferred income taxes, with the exception that amounts so recorded do not reflect losses available to be carried forward. At June 30, 1972, there were losses of approximately \$3,462,000 available for application against future income. These losses do not begin to expire until 1974.

Income taxes otherwise payable by subsidiaries for the current year, in the amount of \$8,700, have been eliminated by the application of prior years' losses carried forward. This elimination is reflected as an extraordinary item in the consolidated statement of operations.

#### 5. 8% DEBENTURES

During the year, a subsidiary company, AGT Keydata Canada Limited (Keydata), issued \$500,000 8% debentures, due April 15, 1977, which are secured by a first floating charge on the assets of Keydata. The debentures are redeemable in whole, or in part, at any time before maturity at the principal amount thereof. Purchasers of these debentures also received share purchase warrants expiring April 15, 1977, which entitle the holders to acquire up to a 25% interest in Keydata for a total consideration of \$500,000. Payment for such shares may be made in whole, or in part, by tendering for cancellation the 8% debentures.

The debentureholders have entered into an agreement with the parent company (AGT) whereby they may require AGT: (a) to purchase the debentures at maturity, at its option, either for cash, equal to 110% of the principal amount, or for shares of AGT having an aggregate value equal to 100% of the principal amount, based on a price per share of 80% of the market price (as determined under the Agreement), and (b) to exchange any or all of the shares acquired through the exercise of the share purchase warrants for shares of AGT. For the purpose of this conversion, shares of Keydata will be valued on the basis of six times its pre-tax earnings for the fiscal period immediately preceding the notice of conversion and shares of AGT will be

valued on the basis of the average market price of the shares during the six months preceding the notice of conversion. This conversion privilege expires twelve months after the repayment of the debentures.

Keydata is restricted from holding any indebtedness or securities other than normal operating indebtedness and specified short-term investments. As at June 30, 1972, \$494,000 of the consolidated cash position was restricted in this way.

#### 6. CAPITAL STOCK

During the year, the company issued 28,844 shares for a cash consideration of \$35,842.

#### 7. SHARE OPTIONS

During the year, the employee share option plans which had been previously established were terminated and the respective reservations of shares were revoked. All unexercised options under these Plans were surrendered by the participating employees. At the same time, the 1972 Share Option Plan for Employees was authorized.

At June 30, 1972, the company has reserved 150,000 shares under this Plan, pursuant to which the company may grant options to full-time employees, enabling them to purchase shares during a period specified when the options are granted at a price per share no less than the greater of \$1.50 or 90% of the market price (as determined under the Plan) on the day of grant of the option. The options may be exercised by the optionee in equal amounts in each year, over the term of the option on a cumulative basis. The share options currently outstanding under the Plan may be exercised during the period ending April 30, 1977 and are summarized below:

	Number of Shares
Authorized.....	<u>150,000</u>
Granted at \$1.50 per share (excluding cancelled options for 500 shares) .....	94,760
Exercised.....	Nil
Outstanding at June 30, 1972.....	<u>94,760</u>

At June 30, 1972, 50,000 shares were reserved under the 1970 Employee Payroll Investment Plan. Under the terms of this Plan, employees may utilize up to 10% of their remuneration to purchase shares at a price which is calculated on the basis of

85% of the market price (as determined under the Plan) during each calendar quarter. As at June 30, 1972, 27,046 shares have been issued under this Plan, of which 13,844 were issued during the current year.

Under the terms of an option agreement dated July 23, 1969, which expires on August 13, 1973, 50,000 shares are reserved for purchase, at the greater of \$15 or 90% of the market price per share.

#### 8. SHARES HELD IN ESCROW

At June 30, 1972, 719,000 shares of the company are held in escrow under the terms of six escrow agreements.

#### 9. REMUNERATION OF DIRECTORS AND OFFICERS

The eleven directors did not receive any remuneration, as directors, for the years 1972 and 1971. The aggregate remuneration for the six officers, all of whom were also directors, was \$149,758 (1971—\$231,184).

#### 10. LEASE COMMITMENTS

Under lease obligations for office premises, the company and its subsidiaries are committed to minimum annual rentals (exclusive of taxes, insurance, and other occupancy charges) as follows:

1973.....	\$227,479
1974.....	158,738
1975.....	43,693
1976.....	16,972

#### 11. DISCONTINUED DIVISIONS

Effective May 1, 1971, the company terminated its licensing agreement with Systems Dimensions Limited. The termination arrangements provide that the company will continue to earn commissions for a subsequent period. Data processing revenues—discontinued divisions, includes commissions earned of \$113,783 for the current year.

During the year, the company disposed of a subsidiary resulting in a gain of \$131,531 which is reflected in the consolidated statement of operations as an extraordinary item. Data processing revenues—discontinued divisions, includes revenues of \$60,346 from this subsidiary.

The comparative figures have been reclassified to disclose revenues of divisions not active at the end of 1972.



## AGT DATA SYSTEMS LIMITED

*... offering a wide range of computer products and services ...*

### DATA SERVICES DIVISION

Design, development and implementation of a broad spectrum of data processing services, particularly generalized software products and computer processing applications.

### DCF SYSTEMS DIVISION

Management consulting services including the design and implementation of computer-based systems.

### KEYDATA CANADA DIVISION

On-line computer services including invoicing, credit control, inventory management, accounts receivable and sales analysis services for Canadian manufacturers and wholesale distributors.

### PROCONSUL DIVISION

Engineering and computer services to land surveyors, consulting engineers and municipal governments.

### RUSCOM LOGICS DIVISION

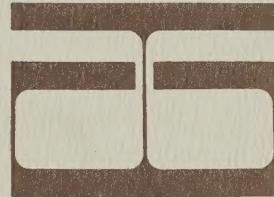
Design, manufacture and installation of specialized systems and digital devices for science and industry.



**AR80**

*Concorp*

**AGT DATA SYSTEMS LIMITED**



**AGT DATA SYSTEMS LIMITED**

TORONTO (HEAD OFFICE)  
74 Victoria Street, Toronto, Ontario M5C 2A5  
MONTREAL  
555 Dorchester Blvd. West, Montreal 128, Quebec

**INTERIM REPORT**  
SIX MONTHS ENDED DECEMBER 31, 1972

TO OUR SHAREHOLDERS

**AGT DATA SYSTEMS LIMITED**  
AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF LOSS AND DEFICIT**  
Six months ended December 31, 1972 and 1971

	1972	1971
Revenue		
Consulting Fees	\$ 227,864	\$ 427,947
Data Processing Revenues—		
Active Divisions	1,144,140	953,748
Manufacturing Sales	286,833	91,203
	<u>1,658,837</u>	<u>1,472,898</u>
Data Processing Revenues—		
Discontinued Divisions	—	158,867
	<u>1,658,837</u>	<u>1,631,765</u>
Expenses		
Operating Loss	78,918	363,347
Other Income (Charges)		
Interest Income	16,912	1,545
Interest on 8% Debentures	(20,000)	—
Government Research Grant	78,578	—
	<u>75,490</u>	<u>1,545</u>
Net Loss for the Period	<u>3,428</u>	<u>361,802</u>
Deficit at Beginning of the Period	<u>5,541,854</u>	<u>5,160,516</u>
Deficit at End of the Period	<u><u>\$5,545,282</u></u>	<u><u>\$5,522,318</u></u>

**CONSOLIDATED STATEMENT OF SOURCE AND  
APPLICATION OF FUNDS**  
Six months ended December 31, 1972 and 1971

	1972	1971
Source of Funds:		
Government Research Grant	\$ 78,578	\$ —
Issue of Common Stock	8,700	6,545
Reduction of Long Term Receivables	5,268	5,268
Proceeds from Disposal of Fixed Assets	907	1,280
Total Funds Provided	<u>93,453</u>	<u>13,093</u>
Application of Funds:		
Funds Applied to Operations	82,006	370,962
Add Back Depreciation and Amortization	61,992	71,200
Net Funds Applied to Operations	20,014	299,762
Additions to Fixed Assets	16,376	10,002
Deferred Development Costs	21,463	50,944
Total Funds Applied	<u>57,853</u>	<u>360,708</u>
Increase (Decrease) in Working Capital for the Period	<u>35,600</u>	<u>(347,615)</u>
Working Capital at Beginning of the Period	<u>1,032,007</u>	<u>731,618</u>
Working Capital at End of the Period	<u><u>\$1,067,607</u></u>	<u><u>\$ 384,003</u></u>

The financial results for the first six months of the fiscal year show continued improvement. The operating loss declined from \$363,000 to \$79,000. Although total revenue for the period increased only slightly to \$1,659,000, the 1971 comparative figures include \$159,000 from operations which have since been discontinued. Revenue from our on-going operations increased 13 percent over last year.

In line with the improved operating performance, the cash loss for the period was reduced to \$20,000 from \$300,000 a year ago. The working capital position increased to \$1,068,000 at December 31 including \$604,000 in cash and deposit receipts. We expect to operate with a positive cash flow throughout the next six months which will continue to improve our liquidity position.

We received a Federal Government research grant of \$78,578 related to our software development activities in prior periods. This grant, when combined with interest income and expense, reduced the net loss for the six-month period to \$3,428.

Prospects for the future are favourable. During the first half we exceeded projections and management will continue its efforts to maintain this improvement in the second half.

G. A. Wanless  
President